

Message Text

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ACTION EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 ISO-00 IO-14 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00

RSC-01 OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 SCI-06 SCEM-02 INT-08 SS-20 NSC-10 STR-08 L-03

H-03 PA-04 PRS-01 USIA-15 DRC-01 /239 W

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P R 081630Z JAN 74

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 1540

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY JAKARTA

AMEMBASSY DUBLIN

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AMEMBASSY JIDDA 601

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY NW DELHI

AMEMBASSY OSLO

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AMEMBASSY OTTAWA

AMEMBASSY PARIS UNN
 AMEMBASSY REYKJAVIK
 AMEMBASSY ROME
 AMEMBASSY STOCKHOLM
 AMEMBASSY TEHRAN
 AMEMBASSY TOKYO
 AMEMBASSY TRIPOLI
 AMEMBASSY VIENNA
 AMEMBASSY WELLINGTON
 USMISSION EC BRUSSELS UNN
 USMISSION GENVA
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LIMITED OFFICIAL USE SECTION 1 OF 2 USOECD PARIS 0541

DEPT PASS TREAS FOR WIDMAN

E.O. 11652: N/A

TAGS: ENERG, ECON, EFIN, OECD

SUBJECT: OECD REVISED ESTIMATE OIL IMPACT

REF: USOECD 33094

1. OECD SECRETARIAT HAS PRODUCED REVISED PRELIMINARY ASSESSMENT OF IMPACT OIL SUPPLY SITUATION ADD PRICE INCREASES ON MEMBER COUNTRIES' IMPORTS AND CURRENT BLANCE OF PAYMENTS (REFTEL REPORTED FIRST PRELIMINARY ASSESSMENT OF DEC. 28) TABLE I CONTANS ESTIMATED CURRENT BALANCES FOR 1974, AND TABLE II, THE ESTIMATED EFFECTS ON IMPORTS IN 1974 OF OIL PRICE HIKES.

2. TABLE I
 ESTIMATED CURRENT BALANCES IN
 1974, \$ BILLION
 AS SHOWN IN

	ECONOMIC OUTLOOK	NEW ESTIMATE
UNITED STATES	PLUS 5.0	MINUS 1 TO PLUS 3 (A)
JAPAN	MINUS 0.5	MINUS 6-1/2
FRANCE	MINUS 0.8	MINUS 3-1/2

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GERMANY	PLUS 1.0	MINUS 2-1/2
ITALY	MINUS 1.4	MINUS 3-1/2
UNITED KINGDOM	MINUS 3.0	MINUS 5
OTHER OECD	PLUS 0.6	MINUS 7
	PLUS 1	MINUS 29 TO MINUS 27

(A) THE FIRST FIGURE ASSUMES A 10 PER CENT CUT IN OIL IMPORTS, THE SECOND A 10 PER CENT CUT IN DOMESTIC CON-

SUMPTION

3. SECRETARIAT RATIONALE UNDERLYING FOREGOING TABLE:
 HYPOTHETICAL INCREASE IN OECD OIL IMPORTS IN 1974 IS
 ABOUT \$57 BILLION. OIL CONSUMPTION WILL BE LESS THAN
 OTHERWISE WOULD HAVE BEEN BECAUSE GOVERNMENTS LIKELY
 MAINTAIN SOME FORM ALLOCATION AND BECAUSE OF PRICE EFFECTS.
 TAKING THIS INTO ACCOUNT, A 10 PERCENT CUT BACK IN
 OECD IMPORTS WOULD REDUCE ADDITIONAL PAYMENTS TO ABOUT
 \$50 BILLION. IF U.S., WHICH IMPORTS ABOUT ONE THIRD
 ITS OIL, WERE TO CUT CONSUMPTION BY 10 PERCENT, ITS
 IMPORT BILL WOULD BE REDUCED FURTHER \$4 BILLION. IT
 CAN BE ROUGHTLY ESTIMATED THAT GREATLY INCREASED OIL
 COUNTRY EARNINGS COULD ADD AT MAXIMUM \$10 BLLION TO
 OECD EXPORTS. ON THESE ASSUMPTIONS,
 DETERIORATION IN OECD'S CURRENT BALANCE MIGHT BE ORDER
 OF \$35-39 BILLION, COMPARED WITH PRE-OIL PRICE HIKE
 ESTIMATE OF \$9 TO 10 BILLION SURPLUS GIVEN IN ECONOMIC OUTLOOK
 (P.55). COMBINING THESE TWO FIGURES, CURRENT DEFICIT
 WOULD THUS BE ORDER OF \$25-29 BILLION. TABLE I IS ROUGH
 ATTEMPT ALLOCATE THIS FIGURE AMONG MAJOR OECD COUNTRIES.
 SECRETARIAT NOTES MANY SMALLER OECD COUNTRIES WILL HAVE
 PROORTIONATELY LARGE DEFICITS.

4. TABLE II
 EFFECTS ON IMPORTS IN 1974 OF OIL PRICE INCREASES

COL 1	COL 2	COL 3
	EFFECT OF PRICE INCREASES	
	ON IMPORT BILL (\$ MILLION)	
COUNTRY OR	NET IMPORTS	
AREA	MILLIONS OF	16TH OCT. END-DEC.
	BARRELS (A)	INCREASES (B) INREASE (C)

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CANADA	0	0	0
UNITED STATES	2,250	3,150	8,250
JAPAN	1,900	2,650	7,000
FRANCE	1,025	1,450	3,750
GERMANY	1,150	1,600	4,200
ITALY	850	1,200	3,100
UNITED KINGDOM	925	1,300	3,400
AUSTRALIA	90	125	325
OTHER EUROPE	1,975	2,750	7,250
TOTAL OECD	10,165	14,250	37,250
TOTAL EX.U.S.	7,915	11,100	28,900
NON-OECD	1,615	2,250	6,000

OTHER EUROPE

BELGIUM	300	400	1,100
NETHERLANDS	325	450	1,200
DENMARK	175	250	650
IRELAND	50	75	175
AUSTRIA	70	100	250
FINLAND	115	150	425
NORWAY	50	75	175
SWEDE	250	350	925
SWITZERLAND	150	200	550
SPAIN	300	425	1,100
GREECE,			
PORTUGAL,			
TURKEY	210	300	775

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ACTION EUR-25

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H-03 PA-04 PRS-01 USIA-15 DRC-01 /239 W

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P R 081630Z JAN 74

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 1541

INFO AMEMBASSY ABU DABI

AMEMBASSY ALGIERS

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 AMEMBASSY VIENNA
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LIMITED OFFICIAL USE SECTION 2 OF 2 USOECD PARIS 0541

DEPT PASS TREAS FOR WIDAN

	COL. 4	COL. 5	
	EFFECTS OF PRICE INCREASES		TOTAL 1974 OIL
	ON IMPORT BILL (\$ MLLION		IMPORT BILL
	(\$ BILLION		
OR AREA	TOTAL (2 & 3)	(C)	
CANADA	0	0	
UNITED STATS	11,400	19-1/2	
JAPAN	9,600	16-1/2	
FRANCE	5,200	9	
GERMANY	5,800	10	
TALY	4,300	7-1/2	
UNITED KINGDOM	4,700	8	

AUSTRALIA	450	3/4
OTHER EUROPE	10,000	17-1/4
TOTAL OECD	51,500	90
TOTAL EX.U.S.	40,000	70
NON-OECD	8,250	14

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OTHER EUROPE

BELGIUM	1,500	2-1/2
NETHERLANDS	1,650	2-3/4
DENMARK	900	1-1/2
IRELAND	250	1/2
SUDYTIS	350	1/2
FINLAND	575	1
NORWAY	250	1/2
SWEDEN	1,275	2-1/4
SWITZERLAND	750	2-1/4
SPAIN	1,525	2-1/2
SREECE,		
PORTUGAL,		
TURKEY	1,075	1-3/4

(A) SECRETARIAT ESTIMATES (RE-WORKED SINCE OUTLOOK, DECEMBER 1973, CALCULATIONS).

(B) THE FIGURES IN THIS COLUMN HAVE BEEN RE-WORKED ON THE BASIS OF THE FIRST COLUMN AND MAY BE SLIGHTLY DIFFERENT FROM THOSE IN THE OUTLOOK, DECEMBER 1973.

(C) BASED ON D.I.F. PRICE OF \$8.70 PER BARREL OF WHICH \$7 IS HOST GOVERNMENT TAKE. NO ALLOWANCE HAS BEEN MADE HERE FOR THE RESPONSE OF CONSUMPTION TO HIGHER PRICES. NOTE: DETAIL MAY NOT ADD, DUE TO ROUNDING.

5. FYI: COL. 1 IS ESTIMATE OF VOLUME OF IMPORTS IN 197; COLS 2 AND 3, ARE CHANGES IN VALUES OF IMPORTS DUE TO PRICE INCREASES IN OCTOBER AND DECEMBER, COL. 4 IS TOTAL OF COLS. 2 AND 3; COL. 5 IS TOTAL OIL IMPORT BILL FOR 1974. THUS, FOR US IN 1974, A OIL IMPORT WILL BE 11.4 BILLION HIGHER THAN ORIGINAL EXPECTED FIGURE OF 8 BILLION IN ABSENCE OF OIL CRISIS, GIVING TOTAL IMPORT BILL 19.5 BILLION.

6. MISSION HAS AIRPOUHEED TO STATE AND OTHER WASHINGTON AGENCIES COPIES OF OECD SECRETARIAT'S REVISED PRELIMINARY ASSESSMENT AND TABLE II. SHORT-TERM FORECASTERS DELEGA-

TION ALSO BEING GIVEN COPIES.

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7. MISSION COMMENT: THE \$57 BILLION HYPOTHETICAL INCREASE IN OECD IMPORT BILL MENTIONED IN PARA 3 IS BASED ON AN EARLY ROUGH ANALYSIS BY THE OECD SECRETARIAT. THE \$51.5 BILLION FIGURE IN TABLE II FOR TOTAL IMPACT OIL PRICE INCREASES FOR OECD AREA IS A MORE RECENT ESTIMATE AND IS BASED ON A COUNTRY BY COUNTRY ANALYSIS. IT IS THEREFORE A MORE ACCURATE FIGURE. THE CURRENT BALANCES IN TABLE I SHOULD BE ADJUSTED ACCORDINGLY, TAKING INTO ACCOUNT THE BETTER DATA IN TABLE II. SECRETARIAT NEVERTHELESS STILL CONSIDERS TABLE II HIGHLY PRELIMINARY.
ROGERS

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Message Attributes

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